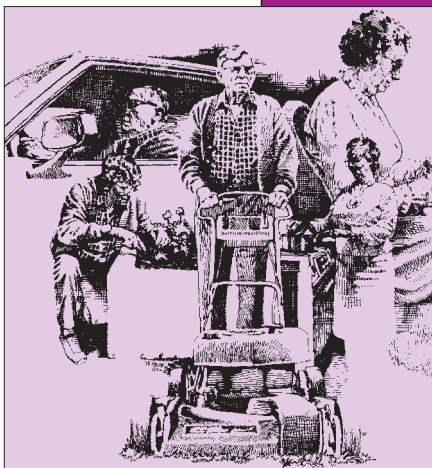




CONTINUING CARE RETIREMENT COMMUNITIES IN CALIFORNIA



CALIFORNIA DEPARTMENT OF
SOCIAL SERVICES



COMMUNITY CARE
LICENSING DIVISION

INTRODUCTION

- This brochure has been developed to explain to potential residents the concept of continuing care and the regulation of Continuing Care Retirement Communities (CCRCs) in California.
- At the time of this publication, there are approximately 80 CCRCs in California with a population of approximately 18,000 residents.
- To secure a list of providers currently authorized to accept deposits and/or enter into continuing care contracts, contact:

**Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 10-90
Sacramento, CA 95814**

(916) 657-2592 www.calccrc.ca.gov

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WHAT IS A CONTINUING CARE CONTRACT?

- A continuing care contract is an agreement between a person 60 years or older and a continuing care provider. The contract includes a continuing care promise made, in exchange for an entrance fee, the payment of periodic charges, or both types of payments. The promise is expressed or implied, by a provider to provide one or more elements of care for the duration of a resident's life or for a term in excess of one year. Most continuing care contracts call for payment of an entrance fee and monthly fee. It is the promise to provide care, not the method of payment, which defines a continuing care contract. A continuing care contract may consist of one or a series of agreements.

WHAT IS A LIFE CONTRACT?

- A life care contract is a specific type of continuing care contract which includes **all** of the following promises by the provider:
 - (1) to provide all levels of care, including acute care and physicians' and surgeons' services, to a resident to the extent not covered by other public and private insurance benefits;
 - (2) to provide that care for the duration of the resident's life;
 - (3) to provide a continuum of care, including skilled nursing, at a facility under the ownership and supervision of the provider and on, or adjacent to, the premises;
 - (4) that no change will be made in the monthly fee based on level of care or service; and,
 - (5) to subsidize residents who become financially unable to pay their monthly care fees.

WHO MONITORS PROVIDERS AND COMMUNITIES?

- Due to the length of time covered by continuing care contracts, as well as the substantial payments made by residents, the Legislature has enacted State laws requiring providers to meet certain financial and disclosure requirements.
- The California Department of Social Services (CDSS) is the State agency responsible for approving, monitoring, and regulating providers. Two branches within CDSS participate in this function.
- Local Community Care Licensing Offices continually monitor CCRCs to ensure compliance with California's Community Care Licensing laws regarding facility conditions, accommodations, care and supervision, and quality of service.

- The Continuing Care Contracts Branch has the primary responsibility for overseeing continuing care contract providers. This branch evaluates applications to determine the financial feasibility of proposed communities and monitors the development of projects. This branch also regularly evaluates the performance and financial strength of each provider to determine whether they have the ability to fulfill contractual obligations to residents.
- Advice is received from the Continuing Care Advisory Committee. The members of this committee are experienced in the continuing care industry and are appointed by the Governor and the Legislature to assist the Continuing Care Contracts Branch.

HOW DOES A PROVIDER GET PERMISSION TO ENTER INTO CONTINUING CARE CONTRACTS?

- Before a provider can enter into continuing care contracts, an application for a Permit to Accept Deposits/Certificate of Authority must be filed with CDSS, Continuing Care Contracts Branch. This office evaluates the financial, actuarial and marketing feasibility of proposed projects. If an applicant has demonstrated viable marketing plans, sound operating strategies and financial strength to CDSS, a Permit to Accept Deposits is issued. Such a permit allows the applicant to collect deposits from potential residents and place them in an escrow account.
- When prospective residents enter into a deposit agreement with an applicant, the applicant must provide the depositor with a disclosure statement that includes general information about the provider and community.

5 PERMISSION *ok ok ok ok ok ok ok ok ok*

- During this time, CDSS monitors the project's marketing and construction activities, and controls the escrow account where deposits are held. Escrow funds may be released to the applicant when certain conditions and sales targets have been satisfied.
- After construction is completed and the applicant has met all licensing requirements, the Community Care Licensing Office issues a Residential Care Facility for the Elderly (RCFE) license.
- When the applicant meets its sales projections and continues to demonstrate financial viability, the Continuing Care Contracts Branch issues a Provisional Certificate of Authority valid for one year. That certificate authorizes the provider to enter into continuing care contracts with residents. At the end of that year, if the provider is in compliance with all statutes relating to CCRCs, a Certificate of Authority is issued.

HOW DOES CDSS DETERMINE IF A FACILITY IS FINANCIALLY SOUND?

- Once a provider is issued a Certificate of Authority to enter into continuing care contracts, audited financial statements and reserve reports must be submitted to CDSS on an annual basis.
- Various financial reserve requirements are mandated by the continuing care contract statutes. These reserves help to assure that providers will have sufficient financial liquidity to meet their ongoing business expenses. Providers must show their compliance with the reserve requirements each year and submit reports to CDSS with their annual audited financial statements.

- Audited financial statements must be prepared by an accountant who has been licensed by the California State Board of Accountancy as a certified public accountant. The audit of the financial statements must be in compliance with the latest edition of the American Institute of Certified Public Accountant's industry audit guide for the provider of health care services.
- CDSS reviews the annual audited financial statements. In the event the review determines that a provider is in unsound financial condition, CDSS will exercise its statutory authority to require corrective measures be taken. If a provider fails to comply with the statutory requirements, CDSS may levy administrative fines, file liens on its property, seek a court appointed administrator to take over operation of the ailing community or revoke the provider's Certificate(s) of Authority.



IMPORTANT CONTRACT INFORMATION

- Provisions in continuing care contracts may vary significantly from community to community. For example, contracts can differ in terms of costs and payment methods, services offered and services provided, a resident's proprietary interests, and the availability of entrance fee refunds.
- Each contract in use at a community must first be reviewed for statutory compliance and approved by CDSS. The statutes governing continuing care contracts require specific disclosures in contracts (agreements) between providers and residents.

The provider must attach all of the following documents to the continuing care contracts:

- ☐ **A DISCLOSURE STATEMENT** regarding general information about the provider and community.
- ☐ **RESIDENTS RIGHTS.** A copy of the Resident's Rights for CCRCs.
- ☐ **FINANCIAL STATEMENTS.** A copy of the provider's most current audited financial statements, or other financial information.
- ☐ **AVERAGE MONTHLY CARE FEES.** A schedule of the average monthly care fees charged for each type of residential living units for the past five years.
- ☐ **INSURANCE BINDER.** An insurance binder (only if the contract provides for a health insurance policy for the resident).

OTHER RESOURCES

Additional information regarding Continuing Care Contracts Branch's website at www.calccrc.ca.gov. This website provides information to current and prospective residents of California continuing care retirement communities. There are links to many of the continuing care retirement communities and to California cities and counties where those communities are located. The website also includes links to some useful senior information websites as well.

The following organizations' websites may also assist you when gathering information regarding CCRCs in California:

- The California Continuing Care Residents Association (CALCRA) represents many continuing care retirement community residents throughout California. They strive to insure that the legal and contractual commitments of providers with respect to the health and welfare of residents are promoted and protected and that the financial condition of providers shall at all times remain viable. (www.calcra.org)
- The California Association of Homes and Services for the Aging (CAHSA) represents not-for-profit organizations. Its mission is to advance housing and services for older adults and to support and inspire its members through advocacy, education, research and services enabling them to meet the changing needs of their clients and communities. (www.aging.org)

- The California Association of Continuing Care Retirement Communities (CACCRC) represents proprietary continuing care owners and operators. CACCRC's purpose is to consider and act upon common concerns relating to the development and management of ideal housing and services to the aging communities.
- The American Association of Homes and Services for the Aging (AAHSA) represents not-for-profit organizations nationwide dedicated to providing high-quality health care, housing and services to the nation's elderly. AAHSA serves its members by representing the concerns of not-for-profit organizations that serve the elderly through interaction with Congress and federal Agencies. (www.aahsa.org)

SUMMARY

It is important to remember that the issuance of the Certificate of Authority to a provider by CDSS does not constitute an endorsement of the provider or a guarantee of its performance. Prospective transferors and residents are strongly encouraged to carefully consider the benefits and risks of continuing care contracts and seek financial and legal advice before signing.



The statutes (laws) governing continuing care contracts are found in Chapter 10 of Division 2 of the California Health and Safety Code (beginning with Section 1770.)



STATE OF CALIFORNIA

Gray Davis, Governor

HEALTH AND HUMAN SERVICES AGENCY

Grantland Johnson, Secretary

DEPARTMENT OF SOCIAL SERVICES

Rita Saenz, Director

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